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ABSTRACT

This secondary level unit, designed for use in a social studies or introductory economics course, has students participate in decision-making activities about global auto production. Although Japan-United States interaction is emphasized, the concepts, terms and activities employed in the unit apply to other countries as well. The unit includes 11 student handouts and the following 4 lessons: (1) "Introducing the Global Product"; (2) "Global Auto Production and Its Effect on Interest Groups"; (3) "Decision-Making Activity: Where to Manufacture Cars"; and (4) "Application Activities: Media Study." Three appendices contain a bibliography, addresses of selected organizations, and optional activities. (DB)

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THE GLOBAL PRODUCT:

INTERNATIONALIZATION OF THE AUTO INDUSTRY

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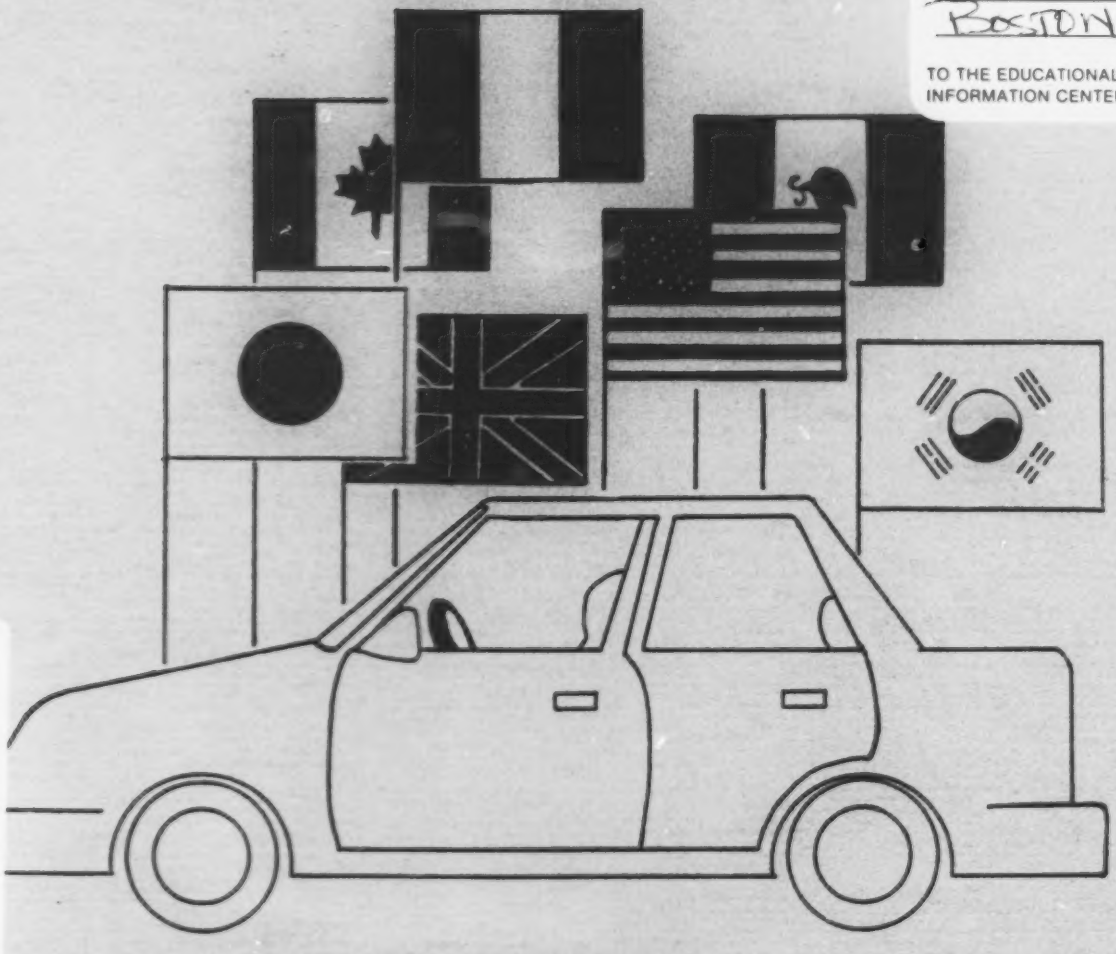

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THE GLOBAL PRODUCT:

INTERNATIONALIZATION OF THE AUTO INDUSTRY

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Stanford University
1985

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Ultimately it is the pre-collegiate educators and students to whom we are most grateful. We thank the many Northern California teachers who willingly pilot tested the lessons from THE GLOBAL PRODUCT. The students and their teachers became the final advisors to determine the usefulness of this unit.

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THE GLOBAL PRODUCT:

INTERNATIONALIZATION OF THE AUTO INDUSTRY

GENERAL INTRODUCTION

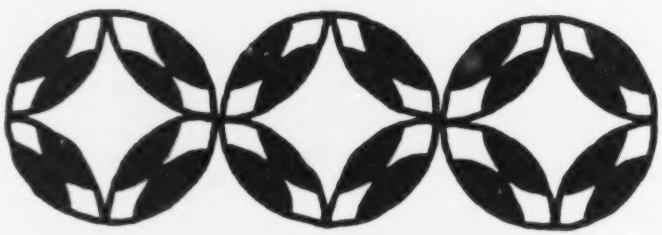
This unit deals with the interdependence of nations through joint manufacturing of products such as Nike sport shoes and automobiles. It places students in the role of decision-makers who must decide where (in what country or countries) to produce autos. The case of global auto production was chosen because of its importance to the U.S. and several trading partners, including Japan. Also, autos are an integral part of the American lifestyle and as such, are of great interest to students for whom the unit is intended. Finally, the auto example well illustrates the extent to which nations are interdependent through current trends toward internationalizing the source, manufacturing and marketing of products.

Focus of the Unit

"The Global Product" is a secondary level unit in which students participate in a decision-making activity regarding global auto production. Although Japan-U.S. interaction is emphasized in the application exercise in the final section of the unit, the concepts, terms and activities employed apply to other countries as well. One might choose another product or another set of countries to illustrate global interdependence through production and/or marketing.

The Activity Oriented Approach

A decision was made prior to the creation of this unit to stress an understanding of international economics and trade through participation in classroom and homework activities. A further choice has been made to stress the mechanics of trade-related issues instead of the abstract theory behind economic activity. The rationale for this strategy comes from field-testing experiences which pointed to the need to spark students' interest in the subject of economics through a process which involves them and helps them see the relevance to their lives.



Objectives

Students will:

- sharpen geography skills by locating various countries on a blank world map;
- understand the global nature of manufacturing processes;
- realize the economic interconnectedness of nations;
- use a variety of economic terms related to international manufacturing processes and trade;
- identify multiple perspectives on an issue;
- be placed in the role of decision-makers, thereby obtaining experience in making real-life judgements;
- gain experience in making group decisions by consensus;
- as consumers, make more informed decisions in the future regarding the purchase of products;
- read popular media more critically, including the identification of point of view and interpretation of editorial cartoons.

Where and When to Use the Activities

These activities are designed to supplement a full course of study in social studies or introductory economics. No background in U.S.-Japan relations or international trade and economics is required, although basic understanding of common economic terms and concepts is useful.

LESSON 1 INTRODUCING THE GLOBAL PRODUCT

Introduction

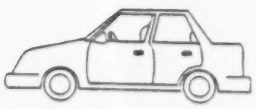
After students have been introduced to (or reviewed) common economic terms and statistics related to world trade, they will begin discussing the notion of a "global product." This is followed by a preliminary discussion of the auto—its role in society and factors consumers consider in purchasing a new car. Finally, the recommended homework assignment deals with financial and non-financial reasons for companies' decisions to produce all or part(s) of a product in one or more countries.

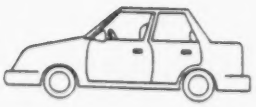
Objectives

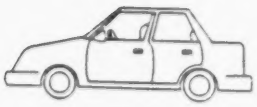
- To learn (or review) basic economic terms related to trade;
- To define and illustrate the term "global product";
- To examine the auto, what goes into its production and what consumers look for when purchasing a car.

Materials

Data Collection Sheet (optional; see Appendix III)
Handout #1, "What Is a Global Product?"
Handout #2, "Why Companies Produce Abroad: Financial and Non-Financial Reasons"







Procedure

1. Introduce (or review) basic definitions relating to international trade, including the following terms.

   import/export/international trade/consumer/service/
   balance of trade

2. If students have had no previous introduction to international trade issues, you may want to use activities from "An Introduction to International Trade: Focus on Japan and the U.S." by The Japan Project/SPICE. For example, the Data Collection Sheet (Appendix III) asks students to determine the country-origin of common household items, including cars. It may be assigned as a preparatory activity for this unit.

   The following statistics may be cited to build a rationale for knowing about international trade:

   --in California approximately one job out of nine is related to trade, (in the San Francisco area it may be as high as one out of six, and one in three in agriculture) from airplane flight attendants to assembly workers or farmers producing goods for export;

   --in 1980, total world trade (imports and exports) was worth about $2 trillion ($2,000,000,000,000). This amount would be enough to play 1000 video games every day for 22 million years! Or, it would be enough money for every American to go to the movies 2,000 times!

   --trade with Asia is particularly important, which is clearly illustrated in the Data Collection Sheet. Of California's top 12 trading partners, 9 are located in Asia. In fact, Japan is California's best and America's second best trading partner of all countries in terms of the amount of trade.

3. Poll the class regarding where their families' autos were made. Data can then be converted into a bar graph entitled "Cars in Our Class." Explain that the activities over the next several class periods will deal with the global auto production.

4. Introduce the idea of global auto production by reading Handout #1. Discuss the contents with the class, asking for other examples of goods produced in more than one country—for example, bicycles or televisions.

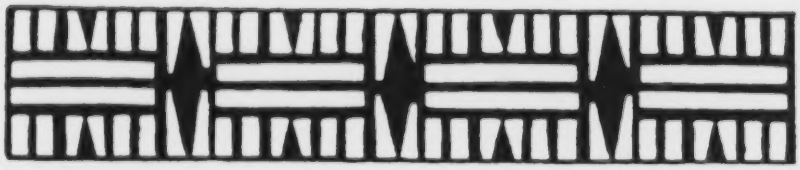
5. Determine what it takes to build a car (parts, technology, skilled labor, raw materials, capital, design, and management techniques). Ask students if they were buying a car, what they would consider most important. <Possible answers include cost, quality, reliability, mileage, overall efficiency, comfort, luxury options, status, reputation of the car and/or company, design, or durability.>

6. Ask why autos might be partially produced or totally produced abroad. Assign as homework Handout #2, "Why Companies Produce Abroad: Financial and Non-Financial Reasons."

Follow-Up

1. You may want to have students informally poll their families regarding important factors in their decision to purchase a particular car. You may also ask the students to find out what their families know about global auto production.

2. If students have not completed the Data Collection Sheet prior to beginning LESSON 1 activities, assign it as homework.

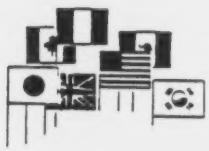


Background Information For The Teacher

Thackray, John, "Much Ado About Global Marketing," Across The Board, April 1985 (discusses the strategies utilized in the marketing of products in different cultures--a different concept of "global product" is used)

Moskowitz, Milton, "The Automotive World's Cloudy Alliance," San Francisco Chronicle, June 4, 1985, p. 52. (describes the intricate and multiple combinations of three countries'--U.S., Japan and South Korea--automobile companies)

LESSON 2 GLOBAL AUTO PRODUCTION AND ITS EFFECTS ON INTEREST GROUPS



Introduction

Students will discuss the reasons for internationalization of production by the world's larger auto companies while working on a mapping exercise. They then discuss possible effects of producing and assembling products abroad on the variety of groups that are involved in international production.

Objectives

- To determine the extent of economic interdependence in auto production;
- To reinforce mapping/geography skills by having students determine the locations of auto assembly plants on a blank world map;
- To identify special interest groups and the effects of international production on each group.

Materials

Handout #3, "Auto Assembly Plants of the World" Map
(transparency of map)
Handout #4, "What are the Effects of Global Auto Production?"
Small colored dot labels or pencils in six different colors.

Procedure

1. Review the homework assignment. Ask students for three main financial reasons behind the decision to manufacture abroad. Then have students list the non-financial reasons connected with global production.

   You may also want to discuss the notion of "free trade" and barriers to trade (Handout #2, page 18). This is discussed further in The Japan Project unit, "An Introduction to International Trade: Focus on Japan and the United States," and also in "International Trade Issues: The United States and Taiwan." (China Project/SPICE)

2. Divide the class into small groups of 5-6 per group. Pass out Handout #3 (either one per group or one per student, depending on how much you want to encourage group interaction). Each group should also receive approximately 20 dots of its color per map, although some may not use all 20. (Isuzu group will need 40 dots.)

   Each set of colored dots refers to one of the following six major

world auto manufacturers: GM; Chrysler; Toyota; Isuzu (Japan); Peugeot (France); and Volkswagen (VW, West Germany).

3. Ask students to first locate on the perimeter of the blank world map all countries where their auto company assembles cars. Then, using atlases if necessary, have groups place dots on the approximate location of each country where their auto company assembles cars. Optionally, draw lines from the home country to each country where an auto company's assembly plants are located. This reinforces the global linkages among nations.

4. Students should then discuss the geographic patterns, if any, of their particular auto company. For example, GM tends to have plants in Latin America, North America and Europe, while Isuzu's plants are found all over the world in 40 locations.

5. Each group reports on its findings by placing the information on an overhead projection of the world map.

   NOTE: There may be so many dots in particular areas that the data will be recorded on the sides of the transparency or listed on the blackboard.

6. Discuss the term "interdependence" in the context of global auto production (actors/parts within a system interacting with/on each other, generally for mutual gain). Give students Handout #4, "What Are the Effects of Global Auto Production?" If class time remains, have each group read and report on the effects of this global auto production on one special interest group.

   Alternately, assign Handout #4 for homework and have students synthesize the information on the chart on page 9.

Follow-Up

To demonstrate the objective of multiple perspectives, have students briefly interview people involved in the auto industry in at least two of the capacities listed. Try to determine why they feel the production of autos abroad is either beneficial or detrimental to their particular interest group.

Background Information For The Teacher

Krebs, Michelle, "US-Japan Race Will Continue," (Automotive News) and reprinted in the Sacramento Bee, February 8, 1985. (provides information on global auto production)

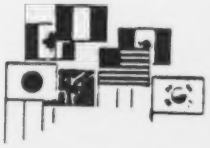
Risen, James, "Impending Car Quota Decision Has Lobbyists Working Double Time," (LA Times) and reprinted in The Oakland Tribune, February 18, 1985. (provides information on the impact of global auto production on various interest groups)

"Activities of Japanese Automobile Manufacturers Overseas," Digest of Japanese Industry & Technology, No. 203, 1984, pp. 15-21.

"There Is More Than One Point Of View"

Interest Group	Global Auto Production Possible Effects
Consumers	
Workers	
home country	
abroad	
Parts Suppliers	
Manufacturers	
Investors	
Societies	
home country	
abroad	

LESSON 3 DECISION-MAKING ACTIVITY: WHERE TO MANUFACTURE CARS



Introduction

Students interpret and apply data in a role-play of auto company executives who decide in which countries to produce autos. Although the scenario is hypothetical, the types of decisions made are realistic.

Small group interaction is an important part of the activity. Encourage students to reach a decision by consensus, a common Japanese form of decision-making. That is, small groups continue to discuss and negotiate options open to them until everyone has agreed to support the group decision.

Objectives

- To interpret and apply data to a decision regarding global auto production;
- To make consensus-style decisions in small groups based on discussion of relevant factors;
- To reinforce the economic interdependence of nations through joint manufacturing processes;
- To assess the extent to which decisions in one country affect other countries;
- To realize the complex issues involved in determining the location for manufacturing and assembling a global product;
- To raise the issue of "developed" nations' responsibility to provide the "developing" nations with training, technology and/or jobs.

Materials

Handout #5, "Role-Playing: Where to Manufacture Cars"
Handout #6, "Data Collection and Analysis Chart"
Handout #7, "Decision Charts"
Handout #8, "Summary of Group Decision"

Procedure

1. Review Handout #4 by discussing the possible effects of global auto production on various interest groups.
   If students were directed to interview at least two people involved in or affected by the international auto industry, ask students to report on their findings.

DECISION-MAKING ACTIVITY

2. Introduce the purpose of the activity: students are placed in the role of decision-makers who will be making judgements that will affect various groups in various ways, both here and abroad. Even though this is a simulation of reality using two fictitious countries and the U.S., the decision-making process is nevertheless "real". The activity will make students more informed consumers and citizens.

3. Divide the class into groups of approximately 5 students each. These groups will decide where to manufacture autos for CA, Inc.

4. Have students read the introductory information to Handout #5, "Role-Playing the Decision: Where to Manufacture Cars." (Make sure they understand that they are to first summarize the data on Handout #6.)

   NOTE: All information for each country is <u>not</u> always included. Groups should leave those particular areas 'blank' on the sheets.

5. Before going ahead to the decision charts (Handout #7), check how each group is doing with the data collection charts. You may need to suggest that the groups figure out how much it would cost to manufacture cars in various combinations of the three countries. This information can then be put on the board or on an overhead transparency.

6. Each group completes the decision charts (Handout #7), and discusses their process questions or problems as a class. It is important to emphasize that all group members need to participate in the decision-making process. If possible, groups should work to reach a consensus where everyone is satisfied with the decision, rather than putting the decision to a vote. This may occur as students realize that all information is not available in the reading. Ask them what other information they think is necessary and where it might be found. (Auto companies' annual reports, local auto dealer, etc. See bibliography for more specific sources.)

7. Groups are then to summarize their decision on Handout #8 ("Summary of Group Decision") which will be presented to the Board of Directors. Depending on how much the instructor would like to dramatize the role-play, formal presentations may be made to the instructor who represents the Board. Since there is no right or wrong answer, instructors will want to resist possible student pressure to make a judgement regarding which of their decisions is more (or less) correct than others.

8. Put the groups' decisions on the board and compare decisions.

9. DEBRIEFING

Ask - why their groups decided on a particular factor being the most important in reaching a decision.

NOTE: The "Buy/Produce American" factor which at least one group generally favors can lead to a discussion of patriotism and whether imports really do deprive Americans of jobs.

Remind students that special interest groups (consumers, workers, etc.) have different perspectives on the same decision. Also, most citizens are both consumers and workers or consumers and board members, and thus belong to more than one interest group simultaneously.

- how they reached a decision. By consensus or by majority rule? Were there any "dissenters" from the group decision? If so, how was this handled by the group? How did students feel about the group process in reaching a decision?

- what feelings they had about being placed in the role of decision-makers for Comprehensive Auto, Inc. Were they ever frustrated or puzzled by the complexity of factors and interest groups to take into account when making their decision?

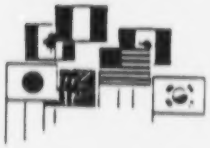
- how global interconnectedness was illustrated by the role-play activity.

NOTE: Particularly if students were not inclined to take other countries' needs into account, you may want to discuss whether "developed" countries such as the U.S. and Japan have a responsibility to "developing" countries to help them industrialize by such means as transfer of technology.

Evaluation

If group process skills and experience with consensus decision-making are key to your learning objectives, you can assess each group's behavior during the role play. After students have completed this section, you may want to repeat the activity using three real countries.

LESSON 4 APPLICATION ACTIVITIES: MEDIA STUDY



Introduction

What follows is a variety of media views on the global production goods: a magazine article, a news article (satire) and an editorial cartoon. The intent is for students to become more critical consumers of the media while reinforcing the points made in previous activities.

Objectives

- To read popular media more critically by identifying the author's perspective and by speculating on alternative viewpoints of the same issue;
- To gain experience in interpreting editorial cartoons;
- To become more informed consumers;
- To learn new economic terms and apply what students have already learned.

Suggested Procedure For Each Media Study

Handout #9 "Made (Again) In The U.S.A."

1. Have students read the article and answer the accompanying questions.
2. Discuss the reasons why some American companies have stopped producing abroad and are beginning to manufacture again in the U.S. The main theme is that advances in technology and production processes have made labor cost differentials less important than they were in the past. Other reasons to "manufacture American" are presented.
3. Elicit the author's point of view and give concrete examples from the article.

Handout #10 "Being Bullish On Buying American"

1. Have students read the article individually, then in small groups discuss the author's perspective regarding the nature of production and consumption patterns in the U.S. today. Either in a class discussion or in written form, the students should address the following issues:
   - the meaning of "buying American" in contemporary society (not just in the U.S. but throughout the world);
   - the author's specific style of making his point;
   - their agreement or disagreement with this perspective and offering of alternative perspectives on the global

interdependence that is generated by the product manufacturing.

Handout #11 "Editorial Cartoon Interpretation Exercise"

1. If students are not familiar with the 1983 General Motors/Toyota joint venture agreement to build small cars in Fremont, California, refer to the bibliography for specific references to articles written about NUMMI (New United Motors Manufacturing Inc.). You may want to discuss the nature of joint ventures and give examples of other auto companies (see Student Handout #1).

2. Arrange students in pairs to brainstorm answers to the questions that accompany the "Oh What A Feeling!" editorial cartoon.

3. Students can then create their own editorial cartoons from a Japanese perspective regarding U.S./Japanese competition and/or cooperation in the automobile industry.

NOTE: Consult the information on the next page for further information on using political cartoons in the classroom and for specific references to pertinent cartoons.

Follow-Up

1. Consult the bibliography for Center for Teaching International Relations (CTIR) publications that have possible relevance to this teaching unit.

2. Have students research another "global product." Then have them write an article or draw an editorial cartoon regarding the impact of international manufacturing of this good on any of the special interest groups discussed in the role-play exercise.

3. Have students draw their own editorial cartoons which address the issue of foreign auto competition (not exclusively dealing with Japan). Suggested perspectives are:

   - the American autoworker;
   - the "foreign" autoworker in his/her own country;
   - the American consumer;
   - the American auto dealer for the foreign import;
   - any other perspective which has been brought to your attention through the study of this unit.

NOTE: It would be useful to discuss the multiple perspectives that can exist within one industry and/or one community, i.e. not all auto workers or consumers think alike.

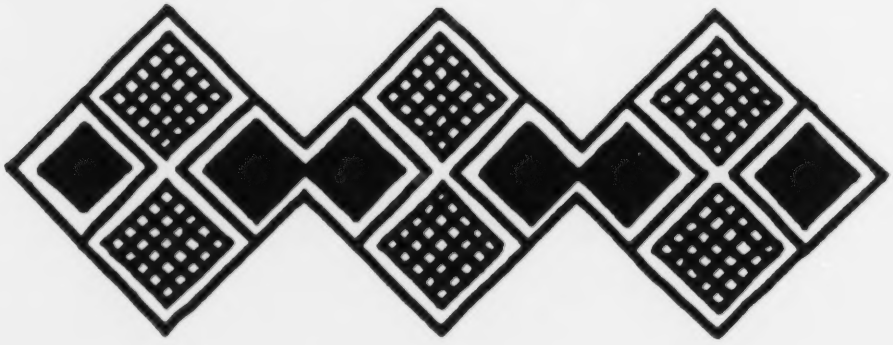
Background Information For The Teacher

Alexander, Mary, and Marilyn Childress, "Using Political Cartoons To Teach About U.S. Foreign Policy," Education Division of the National Archives, for Social Education, February 1980. (cartoon analysis is conducted through responding to specific questions about visual and print data from the cartoon)

Itow, Laurie, "Sporty U.S. Models Winning Back Car Buyers," San Francisco Examiner, January 20, 1985. (use with Buchwald article)

Monahan, David P., "How To Stimulate Student Writing With Political Cartoons," Social Education, January 1983. (describes a pre-writing activity for cartoon analysis)

Ono, Keinosuke, "The Birth & Significance of NUMMI," The Wheel Extended, (Toyota Motors Quarterly Review), Vol XIV No. 4, 1984. (use with the editorial cartoon activity)



THE GLOBAL PRODUCT:
INTERNATIONALIZATION OF THE AUTO INDUSTRY

WHAT IS A GLOBAL PRODUCT?

Introduction

What do Nike sports shoes, a Ford automobile, or your TV set have in common? They are global products. A global product is a good whose production inputs--labor, management expertise, technology, capital, raw materials, parts, and so on--come from more than one country.

For instance, Nike sports shoes were developed by Philip H. Knight, who graduated in the early 1960's from the business school at Stanford University. His company, Nike Inc., headquartered in Oregon, supplies the designs for Nike sport shoes, the capital for financing the company, and the management expertise for running it. But 90% of the shoes themselves are produced in Asian countries, especially Taiwan. Nike is also producing its shoes in the U.S., England, Ireland, and Italy, and will probably make them in Spain in the future.

Similarly, many of the parts contained in your "made in U.S.A." automobile were imported from parts suppliers in such countries as Japan, Taiwan or Mexico. They then were assembled into end products by American workers in the U.S.

There are many kinds of global products. Just a few examples are outlined above. This unit will focus on automobiles as a global product--the "global auto." By using the example of the global auto, we can explore many of the issues surrounding global products and learn how global products affect our lives and others in the world.

Why Are Automobiles Global Products?

Although not every car is a global auto, nowadays most are. Car makers around the world have to compete with each other in order to survive. This leads them to seek out the best sources of inputs--to get highest quality and/or lowest cost--no matter what country those inputs may come from. Many cars today combine parts, technology and designs from a number of different countries.

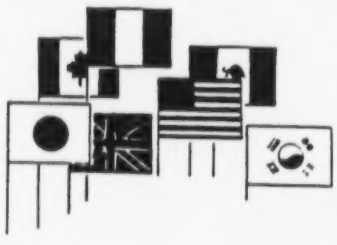
For example, American cars such as those produced by Ford, Chrysler and General Motors contain parts (engines and tires, bearings and fasteners) which have been imported. By 1985, it is estimated that about one quarter (25%) of all the parts in cars produced in the U.S. will have come from foreign countries.

Another example of global auto production is the growing number of auto makers who are setting up production outside their home countries, either by themselves or with foreign business partners. For example, here in the U.S. there are a number of auto plants established by foreign car makers, employing American auto workers. These include Honda and Nissan (Japanese), VW (Germany) and Renault (France). Also, Toyota has a plant in San Diego at which, for the past 9 years, American workers have been making cargo beds for Toyota trucks imported from Japan.

American auto companies also produce cars abroad. Both GM and Ford have plants which produce cars to be sold to European customers. American Motors is planning to produce jeeps in the People's Republic of China.

Joint ventures between car makers from 2 different countries have also become common recently. (Joint ventures are business partnerships between 2 or more companies.) Early in 1983, GM and Toyota announced plans to produce small cars in Fremont, California. Toyota also has a joint venture with Taiwanese partners to build autos in Taiwan. In addition GM owns part of the Japanese company, Isuzu, and a small portion of another Japanese automaker, Suzuki. GM has a joint partnership with Daewoo, a large South Korean company which is making cars in Korea. American Motors and Renault (France) have a partnership to cooperatively produce the Renault Alliance. (In fact, that is why it is called the "Alliance.") Renault and VW have a joint venture agreement to produce automatic transmissions as a team in Europe. These will become part of VW and Renault cars. In fact, about half of Renault's share of the transmissions will be exported to the U.S. They will go into the Alliance cars produced jointly by Renault and American Motors in this country!

These are just a few examples of "global autos" today.



WHY COMPANIES PRODUCE ABROAD: FINANCIAL AND NON-FINANCIAL REASONS

There are a number of reasons why companies make the decision to produce all or part of a particular car in other countries. Some relate to the economic realities of production, while other reasons deal with non-economic factors.

Financial Reasons

"Financial reasons" for global production refer to any motives related to saving money or using capital more efficiently. Such savings can lead to lower prices, which benefit consumers. A lower price on a car also gives its producer an advantage in competing against other car makers, since price is a very important factor for many potential car buyers.

1. For example, if a car maker can buy an engine more cheaply from a Brazilian supplier than from a U.S. supplier, the Brazilian engine may be purchased in order to cut down on cost. This cost savings could be reflected in a lower price for the finished car, thus passing these savings on to the consumer and giving the car maker a competitive price advantage over other car producers.

   Similarly, car makers may choose certain countries in which to assemble cars or to do other operations that require large amounts of human labor. They may choose countries where the cost of labor--wages paid to assembly or production workers--is relatively low. Again, this results in cost savings which can be passed on to the consumer.

2. Another financial reason for global production involves the efficient use of capital. Capital is money invested in production capacity--designs, plants, machinery, and so on. As an example, it costs BILLIONS of dollars to design and engineer a new car. Therefore, it makes sense for a car maker to use the same design in the cars it produces and sells in many different countries. For example, Ford of Europe's 1983 Sierra will become the model for Ford's newest generation of car models in the U.S.

3. Also, it makes financial sense for producers to team up in a joint venture to share the investment costs of designing a car, building car factories and plants, and producing the end product. As an illustration, even though Volkswagen and Renault are investing a total of $130 million in their joint venture to produce automatic transmissions, this is 10% less than what it would have cost for each company to do such a project independently.

Non-Financial Reasons

There are many non-financial reasons for global auto production.

1. One reason is availability of labor skills and/or product quality. For example, a car maker might be willing to buy parts or establish a production plant in a country that has highly educated or skilled workers who can produce parts of high quality. If this is so, the producer may produce in that country even if it means paying higher wages or prices for parts.

2. Another non-financial reason is that sometimes "proximity to the market" (closeness to the consumers who buy the product) is important. For example, it may be easier to convince consumers to buy a "foreign" car if the producer makes it in that country, since the producer understands that consumers there prefer red pinstriping, squarebacks or 2-door models, and can provide repairs and service more effectively.

   Proximity is also helpful in competing with local producers. Sometimes a foreign car maker can learn how to compete more effectively against local producers if it manufactures cars in that country and shares the experiences faced by its local competitors.

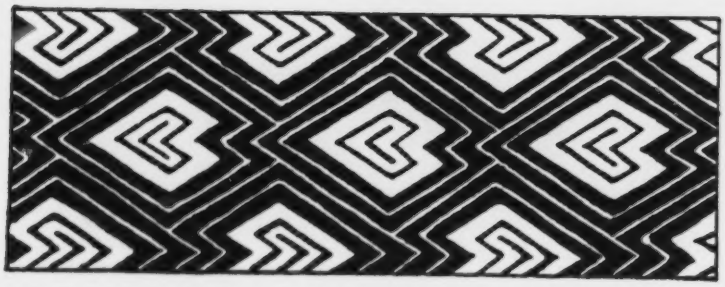
3. A very big reason for global production arises out of restrictions on free trade. In order to help domestic auto workers keep their jobs, some governments have imposed various barriers to trade to try to keep out imported autos. They include taxes on imported cars (called import duties or tariffs), quotas limiting the number of cars that can be imported, and "local content" laws requiring that a certain percentage of parts in cars must be produced in the home country.

   To overcome these trade barriers a car producer may manufacture cars inside the country where they are to be sold, instead of importing cars into that country. In fact, some governments require or try to force foreign car makers to invest money in production facilities and training workers in their countries before the foreign producer is allowed to sell cars there. For example, one of the main reasons Toyota of Japan has a joint venture with GM to produce cars in Fremont, California is because of the U.S.A.'s four-year quota on the number of Japanese autos allowed into the U.S. There are no such quotas for cars partially made or assembled in the U.S.A.

   Do you think the U.S.A. has any import barriers currently in force to discourage auto imports? In fact, we do. First, there are duties (tariffs) charged on imports. Also relating directly to Japanese cars, the U.S. government pressured the Japanese government to "voluntarily" limit the number of Japanese cars exported to the U.S. through February 1985.

Can you recall another term for a quantity limitation of this kind? <A quota.> What effects do you think these barriers have on consumers? <Barriers make imported cars harder to get and more expensive. They also tend to allow domestic manufacturers to charge higher prices and possibly provide lower quality, since foreign competition is not as rigorous.

These are just some of the reasons, both financial and non-financial, why cars are produced globally.

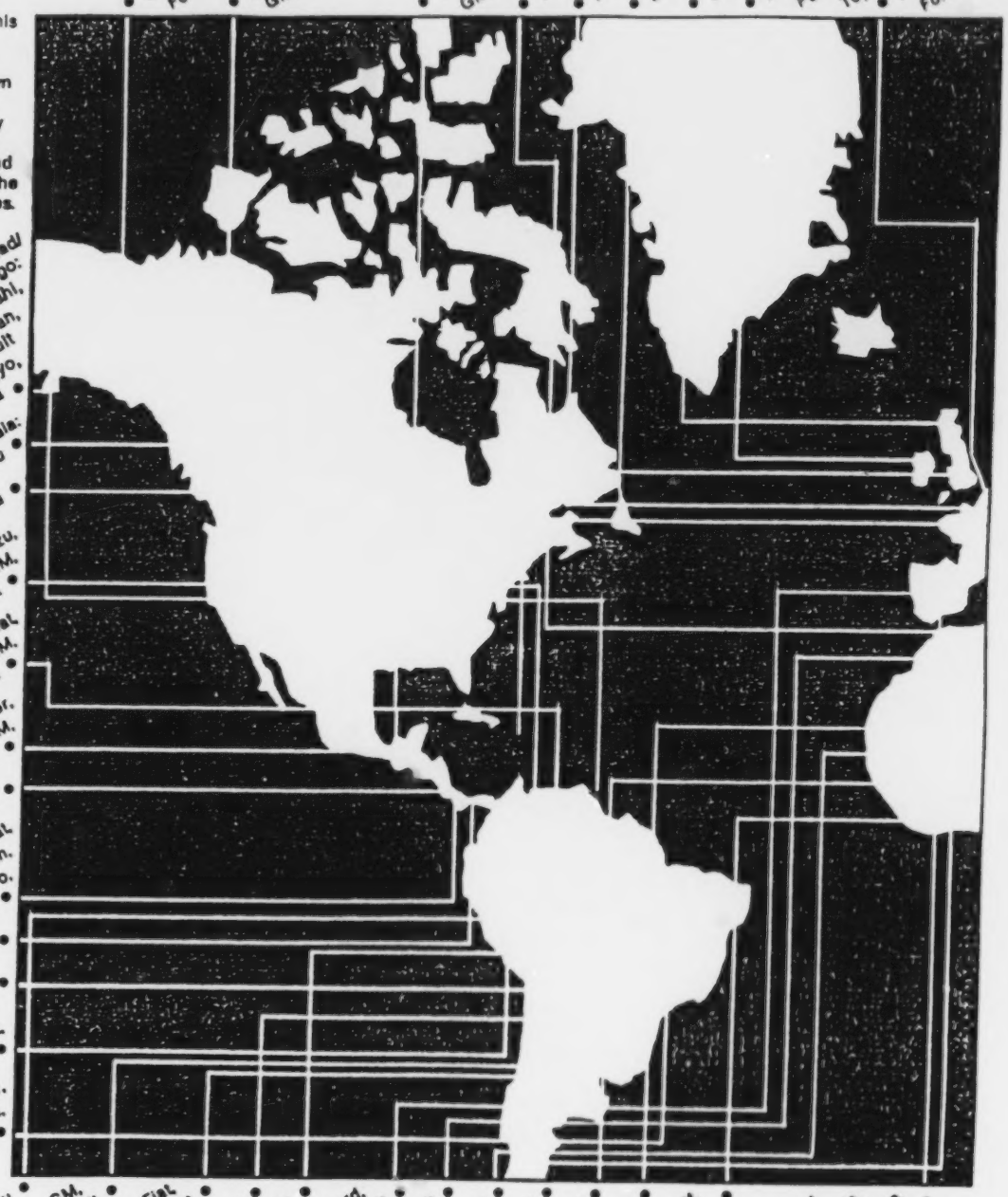


Excerpted from THE GLOBAL PRODUCT by The Japan Project/SPICE, Stanford Program on International and Cross-Cultural Educatior

AUTO ASSEMBLY PLANTS OF

by John McElroy
and Jennifer M. George

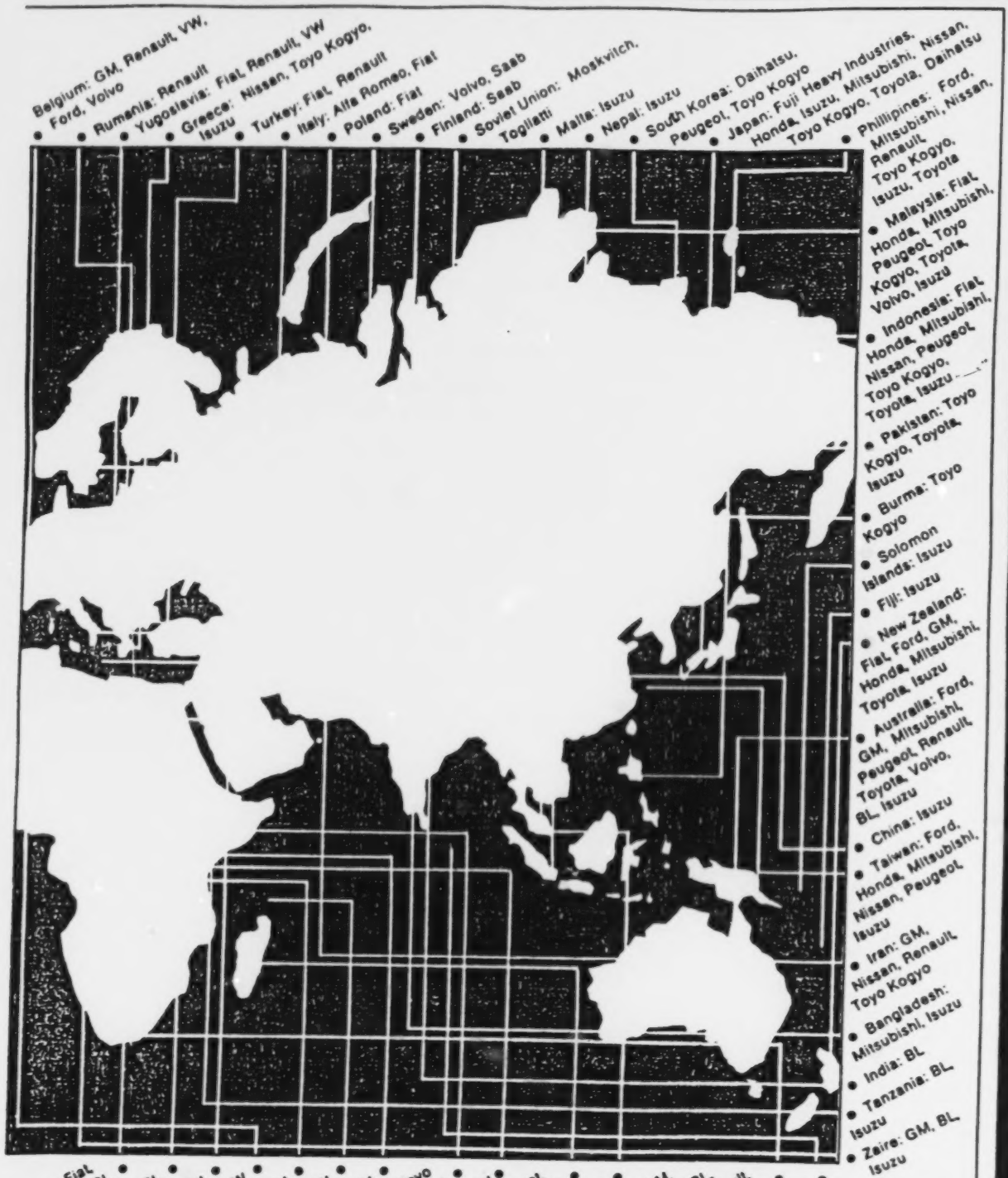
Included in this listing are completely knocked down (CKD) operations by subsidiaries, associates and licensees of the car companies.


Canada: AMC, Chrysler, Ford, GM, Volvo
U.S.: AMC, Chrysler, Ford, GM, Honda, VW
West Germany: BMW, Ford, GM, Mercedes-Benz, VW
Tunisia: Peugeot, Renault
France: Peugeot, Renault
England: Ford, BL, GM
Scotland: GM
Ireland: Fiat, Ford, Nissan, Peugeot, Renault, Toyo Kogyo, Toyota
Netherlands: Ford, Volvo
Trinidad/Tobago: Mitsubishi, Nissan, Renault
Toyo Kogyo, Toyota
Guatemala: Isuzu
Haiti: Isuzu
Chile: Fiat, Isuzu, Peugeot, GM, Renault
Venezuela: Fiat, Ford, GM, Renault, Toyota
Mexico: Chrysler, Ford, GM, Renault, VW
Honduras: Isuzu
Costa Rica: Fiat, Honda, Nissan, Toyo Kogyo, Toyota, Isuzu
Panama: Isuzu
Surinam: Isuzu
Colombia: Fiat, Renault
Brazil: Chrysler, Fiat, Ford, GM, Toyota, VW
Equador: Isuzu
Uruguay: Fiat, Ford, GM, Peugeot, Renault
Argentina: Fiat, Ford, Renault, Peugeot
Paraguay: Mitsubishi, Isuzu
Peru: Toyota
Spain: Fiat, Ford, GM, Peugeot, Renault
Morocco: Fiat, Peugeot, Renault
Liberia: Isuzu
Togo: Isuzu
Ivory Coast: Renault, Isuzu
Upper Volta: Isuzu
Ghana: Nissan, Peugeot, Toyo Kogyo, BL
Portugal: Fiat, Peugeot, Renault, Toyo Kogyo, Toyota, Honda, Ford, GM, Nissan, Isuzu

Reprinted with permission from Automotive Industries (May, 1981)

THE WORLD

Who builds what where? This geographic display indicates where each of the world's major automobile manufacturers has an assembly plant.


Belgium: GM, Renault, VW, Ford, Volvo
Rumania: Renault
Yugoslavia: Fiat, Renault, VW
Greece: Nissan, Toyo Kogyo, Isuzu
Turkey: Fiat, Renault
Italy: Alfa Romeo, Fiat
Poland: Fiat
Sweden: Volvo, Saab
Finland: Saab
Soviet Union: Moskvitch, Togliatti
Malta: Isuzu
Nepal: Isuzu
South Korea: Daihatsu, Peugeot, Toyo Kogyo
Japan: Fuji Heavy Industries, Honda, Isuzu, Mitsubishi, Nissan, Toyo Kogyo, Toyota, Daihatsu
Phillipines: Ford, Mitsubishi, Nissan, Renault, Toyo Kogyo, Isuzu, Toyota
Malaysia: Fiat, Honda, Mitsubishi, Peugeot, Toyo Kogyo, Toyota, Volvo, Isuzu
Indonesia: Fiat, Honda, Mitsubishi, Nissan, Peugeot, Toyo Kogyo, Toyota, Isuzu
Pakistan: Toyo Kogyo, Toyota, Isuzu
Burma: Toyo Kogyo
Solomon Islands: Isuzu
Fiji: Isuzu
New Zealand: Fiat, Ford, GM, Honda, Mitsubishi, Toyota, Isuzu
Australia: Ford, GM, Mitsubishi, Peugeot, Renault, Toyota, Volvo, BL, Isuzu
China: Isuzu
Taiwan: Ford, Honda, Mitsubishi, Nissan, Peugeot, Isuzu
Iran: GM, Nissan, Renault, Toyo Kogyo
Bangladesh: Mitsubishi, Isuzu
India: BL
Tanzania: BL, Isuzu
Zaire: GM, BL, Isuzu
Zambia: Fiat, Mitsubishi, BL
Zimbabwe (Rhodesia): BL
Egypt: Fiat, Isuzu
Nigeria: Peugeot, BL, Isuzu, VW
Malawi: BL, Isuzu
Mauritius: Isuzu
Cameroon: Mitsubishi, Isuzu
Kenya: Nissan, Peugeot, Toyo Kogyo, Toyota, BL, Isuzu
Congo: Isuzu
Madagascar: Peugeot, Renault
Singapore: Volvo, Isuzu
South Africa: Fiat, Ford, GM, Mercedes-Benz, Mitsubishi, BL, Isuzu, Nissan, Peugeot, Renault, Toyo Kogyo, Toyota, VW
Sri Lanka (Ceylon): Isuzu

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WHAT ARE THE EFFECTS OF GLOBAL AUTO PRODUCTION?

How does global production affect all of us? It may help to think about how consumers, workers, suppliers, the producers themselves, and society as a whole are affected. Also, we need not restrict our thinking to only one country--that is, interest groups in other countries besides the U.S. also feel the impact of decisions regarding where to manufacture autos.

Effects on Consumers

How are consumers affected by global auto production? Think back to the reasons for the global auto, such as cost savings, high quality of the product and so on. Are these financial and non-financial benefits likely to be passed on to the consumer? Do you think consumers benefit from being able to choose from among products that embody the advantages of many countries? What other effects on consumers can you think of?

Effects on Workers

How does the global auto affect workers? When a car maker decides to switch its engine assembly operations from the U.S. to Mexico because labor costs in Mexico are cheaper, what do you think the effect is on U.S. engine assembly line workers? On the Mexican assembly workers? <Unless retrained for other work, U.S. workers may lose their jobs. The latter gain jobs, new training, and skills.>

Effects on Suppliers

The auto suppliers—companies that sell raw materials and parts to car manufacturers--may also be affected by the "global auto." For example, what happens to a brake supplier from Country A when a car maker stops buying its brakes and starts buying instead from a brake supplier in Country B? The supplier in Country A probably loses sales and profits, and may have to lay off some workers. What is the effect on the brake producer from Country B? <That producer probably gains sales, makes better profits and might be able to hire more workers.>

Effects on Car Producers

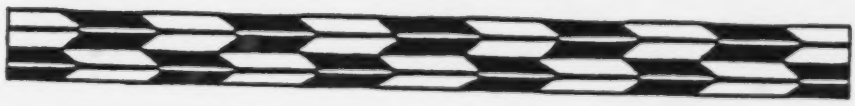
How does global auto production affect the car producers themselves? Do you think the cost savings, efficient use of capital, and other financial benefits lead to higher profits? Or, do you think that increased competition with other global producers will force car manufacturers to pass these benefits onto the consumer, thus keeping profits down or ultimately increase sales through a larger market share? <There is no "right" answer to these questions since the effects mentioned vary with the particular situation.>

Is it easier or harder to manage global production, using inputs from all over the world, as compared to domestic production using inputs from only one country? What effects do you think this might have on auto producers? <It may be more difficult or time-consuming to manage an international operation. Therefore, there would be a need for more managers and executives, a greater chance of making mistakes and other possible drawbacks. On the other hand, at times it may be easier to deal (indirectly) with workers or companies abroad than to negotiate with unions in American auto plants.>

Effects on Investors

What effects does the "global auto" have on the investors who own the automobile companies? Most auto makers, including Ford, GM and Chrysler, are companies owned by public investors. Each investor owns a number of "shares" in the company. Together, all the investors (or "shareholders") share ownership of the company. They invest their money in the company and the company uses that money to build plants and offices, buy equipment and machinery, and design, engineer and produce the cars. In return for investing their money, the investors expect to receive a portion of the profits earned by the company. They also can vote on how the company is to be run and who is to run it.

If investors receive a share of the car producer's profits, do you think they would favor or oppose the "global auto"? Would this depend on whether or not global production resulted in higher profits for the company? Can you think of other effects the "global auto" might have on investors who invest money in car companies? <Investors who are concerned about home country auto workers keeping their jobs might oppose global production. It is possible they might even try to prevent the company from producing cars globally if this would cause home country layoffs. Also, if investors oppose the government or political system in a certain foreign country, they may try to prevent their company from producing cars or buying parts in that country.>



Effects on Societies

What are some of the effects of the "global auto" on the societies of nations involved in global production? This is a combination of all the effects discussed above.

Consumers	—the choices of cars and prices;
Auto Company Employers	—company profits and employment (of workers and managers);
Auto Company Employees	—wages, benefits, and even overall employment status (that is, whether they keep their jobs or are laid off);
Part Suppliers to Auto Makers	—how much business they have from the auto companies;
Investors	--how much return (income) they get on their investment.

Some ways in which these effects influence societies include the increased income taxes that governments can collect from car producers if their profits increase. These taxes can be spent on projects the government considers important for the welfare of the country. However, the government may lose income tax revenues (money) if suppliers and workers are hurt by global production. Why do you think this is so? <If workers are laid off and earn no salary, or if suppliers go out of business or earn no profits, they pay no income taxes to the government.>

Another effect on societies is economic development and transfer of technology. Countries which become involved in global production for the first time can start to establish new industries, which may aid their economic development. On the other hand, countries which cannot offer cost, quality or other advantages may lose their auto industries, creating unemployment and other economic disruption.

"Transfer of technology" refers to the idea that by producing globally, more countries become exposed to production technology. This may benefit the societies that lack technology and production knowhow. How do you think the transfer of technology affects countries with less-developed economies? <They can apply the newly gained technological knowhow and labor skills to the development of their economies in other sectors of business. Negative effects also need to be considered, e.g. rapid change in social structure, environmental impact.>

ROLE-PLAYING THE DECISION:
WHERE TO MANUFACTURE CARS

You are the President and Chief Executive Officer (CEO) of Comprehensive Automotive Company, Incorporated—"CA" for short. This means you are the top manager and top decision-maker for this car manufacturer, located in the U.S.A.

Until now, your company has produced all its cars in the U.S.A. Now, however, as President and CEO you are wondering whether or not CA should start producing some of its cars, or perhaps some components (car bodies, engines, and/or parts) in either Motoria or Autoland (fictitious countries) or both. Or, you could just assemble the components in one of these countries after importing the components from the other. In fact, you can consider any combination of assembly and/or components across all three countries: U.S.A., Motoria, and Autoland. The car produced will be sold in the U.S.A. only. **How do you decide?**

Attached are some of the factors you may want to consider. (You may also think of some tnat are not listed.) You know <u>there is no "CORRECT" decision</u>. However, you also know your decision is very important because it affects your company, its workers, its suppliers, and its consumers both in the U.S.A. and also in Motoria and Autoland.

You have already committed yourself to presenting a report on your decision to CA's Board of Directors. The Board is a group of men and women elected by the CA shareholders, the many private citizens and others who have invested their money in CA. The Board of Directors oversees you and the other managers to be sure the shareholders' interests are being followed in running the company.

Use the Data Collection and Analysis Chart (Handout #6) to organize the data presented on the following pages. Note that there are two charts for data collection: one to summarize cost and one to summarize other factors to consider (labor skills, etc.).

When you have completed Handout #6, indicate your decisions regarding where to manufacture your cars on Handout #7 ("Decision Charts") and Handout #8 ("Summary of Group Decision"). Try to reach a group consensus or agreement on your decisions. Then we will discuss each group's results in class.

REMEMBER THAT THERE IS NO "RIGHT" OR "WRONG" ANSWER.

FACTORS FOR CONSIDERATION BY THE PRESIDENT & CEO
OF COMPREHENSIVE AUTOMOTIVE CO., INC.

COST INFORMATION (summarize on the Cost Information Chart, Handout #6)

A. Production Costs in CA's U.S.A. plant:

Car Body:	$50/car
Engine & Parts:	$25/car
Assembly:	$25/car

B. If CA produced in Motoria, projected costs are:

Car Body:	$30/car
Engine & Parts:	$20/car
Assembly:	$10/car

C. If CA produced Autoland, projected costs are:

Car Body:	$55/car
Engine & Parts:	$15/car
Assembly:	$5/car

D. Shipping Costs

	U.S.A.<—>Motoria	U.S.A.<—>Autoland	Autoland<—>Motoria
Part or Complete Car	$20/car	$20/car	$10/car

OTHER INFORMATION (summarize on the Other Factors Chart, Handout #6)

A. MOTORIA GOVERNMENT POLICY

The government of Motoria wants to improve the level of the country's automaking technology. Therefore, it wants to encourage sophisticated foreign automakers such as CA to produce cars in Motoria instead of importing finished cars. This would mean not only better automotive technology coming into Motoria, but also jobs and skill training for Motorian workers. Also, new Motorian businesses and industries would be established in order to supply the auto producer with raw materials, other goods and services.

Although CA will not be selling any of these cars in Motoria, one long term objective is to have Motorian workers trained in modern automaking techniques. Another objective is to establish a presence now so that if and when CA begins to sell to the Motorians, they are already familiar with the company.

Note: The Motorian government has not imposed any import duty on imported car bodies, but there is a $3/car import duty on engines and parts.

B. AUTOLAND LABOR SKILLS
The workers of Autoland are highly educated, skillful and reliable. Despite the higher production cost of Autoland-made car bodies, the quality of workmanship is the highest in the world.

C. MOTORIA RAW MATERIAL SUPPLY
There is a risk of a possible steel production shortfall (lack) in Motoria. This would increase the costs in Motoria. However, it is not clear how much the cost increase would be. You are not even certain that the steel production shortfall will happen, but it is a "possibility," according to CA's staff economist. (You must decide whether it is worthwhile to take this risk.)

D. GLOBAL ENERGY COSTS
Due to increased worldwide energy costs, CA projects a permanent increase in electricity costs used in running auto plants. This would probably add $5 to the cost of every car produced regardless of where it is manufactured.

E. CA's RELATIONSHIPS WITH U.S.A. WORKERS & SUPPLIERS
CA has a tradition of good relationships with its own workers and supplier companies. CA does not want to damage those relations. Also, CA is afraid that their U.S.A. workers may strike if complete cars or parts are produced at new CA plants overseas.

CA wonders if there is some way to help U.S.A. workers and suppliers who might be hurt if CA produced abroad.

F. CA's RELATIONSHIP WITH DOMESTIC & FOREIGN CONSUMERS
CA prides itself on its record of selling consumers the best car at the best price. This usually means balancing high quality with low production costs. You wonder how CA can best achieve this balance, given the considerations above.

G. CA's INTERNATIONAL EXPERIENCE
Although CA has been selling its U.S.A. company-produced cars to other countries (including Motoria & Autoland) for a number of years, the company has no experience actually manufacturing cars abroad. The management, including yourself, is concerned about how to build a plant, hire workers, deal with government regulations and officials, etc. in a foreign country or countries. You wonder how this should affect your decision.

DATA COLLECTION & ANALYSIS CHART
(Summary of the 3 countries)

Factors Considered in Decision-Making

COST INFORMATION (first fill in if complete car was made in each country. Then figure out costs if car body, parts, or assembly were from various combinations of countries.)

	Production Costs				Other Costs		
COUNTRY	Car Body	Engine/Parts	Assembly (part/complete)	Shipping (Gov. Policy)	Import Tax	Energy Costs	Total if car mfg in one country
U.S.A. (CA home base)							
MOTORIA							
AUTOLAND							

OTHER FACTORS (In addition to costs, you must take these factors into account. Fill in on the basis of available data. Leave others blank.)

COUNTRY	Labor Skills	Raw Material Supply	Relat. w/Workers	Relat. w/Consumers	Int'l Experience
U.S.A.					
MOTORIA					
AUTOLAND	36				37

Handout #6
(1 of 1)

DECISION CHARTS
(Summary of the 3 countries)

DECISION CHART #1 WHAT TO PRODUCE ABROAD

	What Produced			
COUNTRY	Car Body	Engine and Parts	Assembly of Car Only	Complete Car
U.S.A. (CA, Inc.)				
MOTORIA				
AUTOLAND				

DECISION CHART #2 EFFECTS OF DECISION ON VARIOUS GROUPS

	GROUPS				
COUNTRY	Consumers	Workers	Suppliers	(own) Society	Other Societies
U.S.A. (C A , Inc.)					
MOTORIA					
AUTOLAND					

SUMMARY OF GROUP DECISION

1. We recommend to the Board of Directors that we produce the car body in _____(name of country) and engine and other parts in _____(name of country). We will assemble autos in _____(name of country) for sale ONLY in the U.S.A.

2. The most important factors in making our decision were: (circle all that apply)

low cost	low(er) risk of failure or major problems
high quality workmanship	transfer of technology to other countries
providing jobs for foreign workers	providing jobs for American workers
"Buy/Produce American"	other (explain)

3. From the above list, the single most important factor in our decision was _____.

4. All members of our group agree with this decision. (yes or no)

5. The dissenting opinion was _____.

"MADE (AGAIN) IN THE U.S.A."
By John A. Byrne
FORBES, May 23, 1983

Atari is shifting home computer and video game production to Hong Kong and Taiwan, laying off 1,700 workers in California. Zenith is closing an Illinois plant that makes television parts and moving to Mexico, eliminating 600 jobs. Hardly a week without some similar announcement. The media love to headline such stories. The Decline of America.

But a surprising number of companies, which make everything from semiconductors to auto parts, are shutting down foreign manufacturing facilities and moving back to the U.S. For some reason the media pays no attention to this countertrend. It does not fit the cliches.* Advances in technology and changes in the production process are responsible for the repatriation* of these jobs. Take the production of television sets, an industry that virtually disappeared from the U.S. in the Sixties and early Seventies. Only four years ago the average color TV was packed with about 750 electronic components. Now that number is down to 400, and by 1988 it should be close to 200. With fewer parts to assemble, labor is less important as a percentage of total manufacturing costs. What's more, the gap with Third World wage rates is beginning to narrow. In Taiwan, for example, wages have risen four times as fast as they have in the U.S. in the past 15 years.

North American Philips Corp. is gradually shifting production of its Magnavox, Sylvania and Philco chassis* from Juarez, Mexico to a modern plant in Greenville, Tenn. The production line there churns out 850 TV chassis in an 8-hour shift with 11 operators. In Mexico, Philips used "several times" as many workers to get the same output, says Robert Lukingbeal, senior vice president of operations. He also points out that it is easier to attract qualified production engineers in the U.S.--a vital concern these days because of the technical support required by state-of-the-art* equipment.

Automation also brings a level of reliability that cuts the need for labor even further. Only three years ago, Philips' soldering defect rate was 70 to 80 per 10,000 joints. It is now down to only 3 per 10,000. "That's a major reason why we're moving production," explains Lukingbeal. "It means we can spend far less money on troubleshooting and repairs before goods leave the plant."

This is not an isolated situation. RCA stopped producing surveillance cameras* in Taiwan last year and moved to Lancaster, Penn. The company, which is winning back the market from the Japanese (FORBES, Feb.14), found that integrated circuits* and new manufacturing techniques more than offset the benefits that come from cheap labor overseas, particularly after transportation and the resulting additional inventory costs were considered.

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*See page 34 for definition or explanation.

Motorola, meanwhile, is even bringing semiconductor* production back home. Last fall, it broke ground for a 142,000-square-foot microprocessor plant in Chandler, Ariz. The facility will employ up to 1,500 workers within two years. "Considering the turnaround time to get the product to our customer, the costs of air transportation and the savings that result from increased automation, we believe it is at least a break-even proposition to do assembly and test here rather than offshore,"* says Ken Phillips, a Motorola spokesman.

Not all the repatriates are in high-technology industries, either. Ford formerly made automatic transmissions for its Pinto abroad. But now equivalent parts for its replacement model, the Escort, come from a new Ohio plant. Computerized equipment there has greatly increased productivity and quality control.

High interest rates can also make domestic manufacturing more profitable. Apparel ordered or made abroad typically requires six-month lead* time and large production runs, while domestic merchandise can be delivered on short notice. That is why Kayser-Roth's Catalina division no longer produces any of its swimwear in the Far East. "The price advantage we got there wasn't commensurate with the lead time, which increased the risk of guessing wrong and having more markdowns," says Richard V. Figueroa, Catalina's executive vice president.

Then there is Textron's Gorham division. It went to Japan in 1977 to source stainless-steel flatware, but this summer Gorham will begin to manufacture once again at its Providence, R.I. plant. Why did it decide to come home? Gorham had to book orders from Japan six months in advance, which hurt marketing flexibility and caused inventory buildups. "We have the basic skills, and now modern machinery is allowing us to compete with the Japanese," says Gorham President James Thomas. "I think you'll be seeing more returns in the future."

There are other, less quantifiable reasons not to manufacture abroad. "By going overseas, companies add to the complexity of their operations," says Thomas Gunn of Arthur D. Little. "They also expose themselves to a lot of political and business risks that can cause problems."

Look for this trend to accelerate—and without the distortion of economic activity that would result from the imposition of tariffs, quotas and other import restrictions.

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Vocabulary in the Article Marked by Asterisk (*)

1. cliche--an outworn expression; a stereotype regarding a person or phenomenon.

2. repatriation (of jobs)--bringing (jobs) back to the United States.

3. chassis--the supporting framework of equipment--for example, the chassis of a T.V. would be its insides (without a cabinet).

4. state-of-the-art (equipment)--most up-to-date or advanced (equipment).

5. surveillance cameras--small, sophisticated cameras used in stores to watch for shoplifting, for example.

6. integrated circuits--basic interconnected circuit elements made up of silicon chips used in the computer industry.

7. semiconductor--an electronic conductor in which the electric charge-carrier increases with the temperature.

8. offshore--overseas, other countries.

9. lead time--extra time needed to complete something.

INSTRUCTIONS:
The following questions can be used as homework and/or for class discussion.

1. What is the trend <u>and</u> countertrend the author spoke of in the beginning of the article?

2. What are two main reasons for the countertrend ("repatriation of jobs")?

3. Give some examples of companies and the products they are once again manufacturing in the U.S., rather than abroad.

4. What are some other reasons besides technological and production process advancements that some American firms are returning production to the U.S.?

5. Related to #4, what are some disadvantages to producing overseas?

6. What are some advantages to producing abroad?

"BEING BULLISH ON BUYING AMERICAN"
By Art Buchwald
Tues., Feb. 9, 1982 L.A. Times

"There is only one way the country is going to get on its feet," said Baleful.

"How is that?" I asked as we drank coffee in his office at the Baleful Refrigerator Co.

"The consumer has to start buying American," he said, slamming his fist down on the desk. "Every time an American buys a foreign refrigerator it costs one of my people his job. And every time one of my people is out of work it means he or she can't buy refrigerators."

"It is a vicious circle," I said.

Baleful's secretary came in, "Mr. Thompson, the steel broker, is on the phone."

My friend grabbed the receiver, "Thompson, where the hell is that steel shipment from Japan that was supposed to be in last weekend?...I don't care about weather. We're almost out of steel, and I'll have to close down the refrigerator assembly line next week. If you can't deliver when you promise, I'll find myself another broker."

*

"You get your steel from Japan?" I asked Baleful.

"Even with shipping costs, their price is still lower than steel made in Europe. We used to get all our sheets from Belgium, but the Japanese are now giving them a run for their money."

The buzzer on the phone alerted Baleful. He listened for a few moments and then said, "Excuse me, I have a call from Taiwan. Mark Four? Look, R & D designed a new push-button door handle and we're going to send the specs to you. Tell Mr. Chow if his people send us a sample of one and he can make it for us at the same price as the old handle, we'll give his company the order."

A man came in with a plastic container and said, "Mr. Baleful, you said you wanted to see one of these before we ordered them. They are the containers for the ice maker in the refrigerator."

*

Baleful inspected it carefully and banged it on the floor a couple of times. "What's the price on it?"

"Hong Kong can deliver at $2 a tray, and Dong-Fu Plastics in South Korea said they can make it for $1.70."

"It's just a plastic tray. Take the South Korea bid. We'll let Hong Kong supply us with the shelves for the freezer. Any word on the motors?"

"There's a German company in Brazil that just came out with a new motor, and it's passed all our tests, so Johnson has ordered 50,000."

"Call Cleveland Motors and tell them we're sorry but the price they quoted us was just too high."

"Yes, sir," the man said and departed.

The secretary came in again and said, "Harry telephoned and wanted to let you know the defrosters just arrived from Finland. They're unloading the box cars now."

"Good. Any word on the wooden crates from Singapore?"

"They're at the dock in Hoboken."

"Thank heavens. Cancel our order from Boise Cascade."

"What excuse should I give them?"

"Tell them we made a mistake in our inventory or we're switching to plastic. I don't care what you tell them."

Baleful turned to me. "Where were we?"

"You were saying that if the consumer doesn't start buying American, this country is going to be in a lot of trouble."

"Right. It's not only his patriotic duty, but his livelihood that's at stake. I'm going to Washington next week to tell the Senate Commerce Committee if they don't get off the stick, there isn't going to be a domestic refrigerator left in this country. We're not going to stay in business for our health."

"Pour it on them," I urged him.

Baleful said, "Come out with me into the showroom."

I followed him. He went to his latest model, and opened the door. "This is an American refrigerator made by the American worker, for the American consumer. What do you have to say to that?"

"It's beautiful," I said. "It puts the foreign imports to shame."

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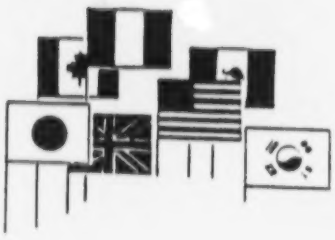


Answer the following questions regarding the above article.

1. What does Mr. Baleful suggest is the only way for America to "get on its feet"?

2. What is the "vicious cycle" he is talking about regarding buying and selling refrigerators?

3. What country does the Baleful Refrigerator Company get its steel from now?

   What country did it used to get its steel sheets from?

4. Looking at the countries where various refrigerator parts come from, in what continent are most of the countries located?

5. Do you agree with Baleful's statement that "This is an American refrigerator made by the American worker, for the American consumer."? Why or why not?

6. What do you think is the author's point of view? (be specific)

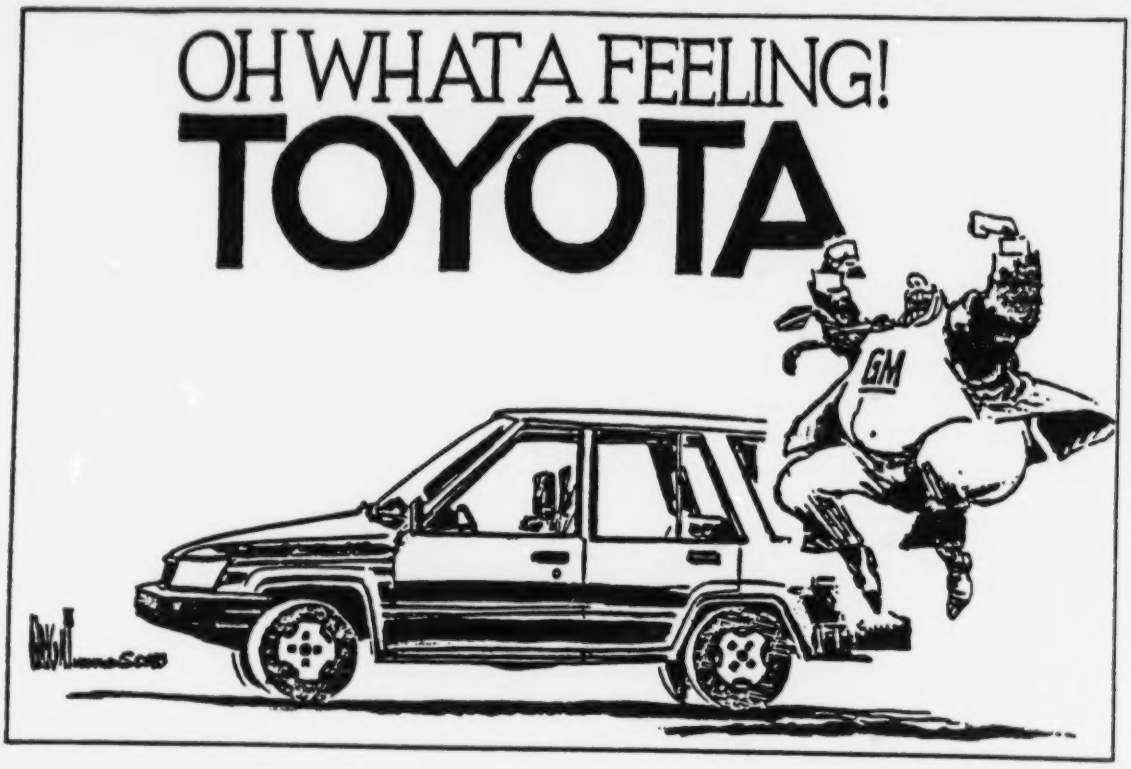
7. Do you think he meant this to be a serious article, or is he poking fun at someone? If he <u>is</u> laughing at someone (or people who believe a particular point of view), who might this person (these people) be?

<u>Follow-up Assignment</u>

When you go home this evening, ask your family about the things they considered in buying any of the items on the Data Collection Sheet. Did they consider "Buying American"? What other considerations did they take into account (price, quality, design, availability, etc.)?

Handout #11
(1 of 1)

C8 S.F. EXAMINER * Sat., Jan. 7, 1984



1. What event does this editorial cartoon depict? In what other contexts have you seen/heard the "title"? Describe the GM representative.

2. Why might the GM representative be happy?

3. Whose interests are being represented in this cartoon?

4. If this were drawn by a Toyota employee, do you think he/she would have been as happy as the GM executive? Explain your answer.

5. Explain the perspective of the cartoonist.

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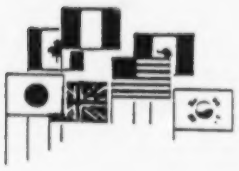

APPENDICES

APPENDIX I: Bibliography

JAPAN-RELATED REFERENCES DEALING WITH ECONOMICS

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The Japan-U.S. Study Group, Editors, Japan's Economy and Japan-U.S. Trade 1982, 100 Questions and Answers. Tokyo: The Japan Times, Ltd., 1982.

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* Okimoto, Daniel I., and Thomas P. Rohlen, Editors, Readings on Modern Japan: Culture, Politics and Economics. New York: Aspen Institute for Humanistic Studies, 1983.

Reischauer, Edwin O., The Japanese. Cambridge, MA: Harvard University Press, 1977. Especially Chapter 35 on "International Trade" and "Interdependence" (pp.357-379).

Richardson, Bradley M., and Taizo Ueda, Editors, Business and Society in Japan, Fundamentals for Businessmen. New York: Praeger Publishers, 1981 (copyright held by the East Asian Studies Program, Ohio State University).

OTHER TEACHING MATERIALS

Banaszak, Ronald A., and Dennis C. Brennan, Teaching Economics, Contents and Strategies. Menlo Park, CA: Addison-Wesley Publishing Co., 1983.

Brouillet, Frank B., Trees and TVs in the International Marketplace, A Basic Unit on International Trade. Olympia, WA: State Superintendent of Public Instruction, 1979.

* Joint Council on Economic Education, Master Curriculum Guide in Economics for the Nation's Schools. Part II. Strategies for Teaching Economics (primary through college level materials; 1977-1982). New York.

* Koranski, Bruce, Teaching About the Consumer and the Global Marketplace. Denver, CO: Center for Teaching International Relations (CTIR), University of Denver, 1981.

* O'Neill, James B., Strategies for Teaching Economics: World Studies (part of Master Curriculum Guide in Economics for the Nation's Schools). New York: Joint Council on Economic Education, 1980.

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* addresses of these organizations/publishers are listed on pp. 41-42

TEXTBOOKS

Mings, Turley, The Study of Economics: Principles, Concepts and Applications. Guilford, CT: The Dushkin Publishing Group, Inc. See, especially, unit IV on World Economics.

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* California State Department of Education, History-Social Science Framework for California Public Schools Kindergarten through Grade 12. Sacramento, CA, 1981. Especially pp. 23-26 ("Economics").

Caves, Richard E., and Ronald W. Jones, World Trade and Payments, an Introduction. Second Edition. Boston: Little, Brown and Company, 1977.

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* Joint Council on Economic Education, Master Curriculum Guide in Economics for the Nation's Schools. Part I. A Framework for Teaching Economics: Basic Concepts. New York, 1977.

* Lewis, Darrell R., and Bruce Dalgaard, Guest Editors, "The World Economy," (special section of) Social Education, Vol. 48, No. 1, January 1984.

ANNOTATED BIBLIOGRAPHIES

* Global Perspectives in Education, Selected Resources for Teaching About Global Economics. New York, 1984. Note: This bibliography is based on the next entry.

* Selim, M.A., Annotated Bibliography of Teaching Materials for Global Economics (Grades K-12). St. Paul, MN: Center for Economic Education, College of St. Thomas, 1983.

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* addresses of these organizations/publishers are listed on pp. 41-42

APPENDIX II: ADDRESSES OF SELECTED ORGANIZATIONS

The following organizations may be contacted for further information relevant to international economics:

Aspen Institute for Humanistic Studies
717 Fifth Avenue
New York, NY 10022
(212) 759-1053

Bay Area and the World Project (for publications, contact
312 Sutter Street World Affairs Council Library)
San Francisco, CA 94108
(415) 982-2541

California State Department of Education
P.O. Box 271
Sacramento, CA 95802
(to write for a copy of the framework)

Center for Economic Education
National Repository/Specialized Center for
Material on Global Economics
College of St. Thomas
St. Paul, MN 55105
(612) 647-5655

Center for Teaching International Relations (CTIR)
Publications Department
University of Denver
Denver, CO 80208
(303) 871-2426
(303) 871-3106

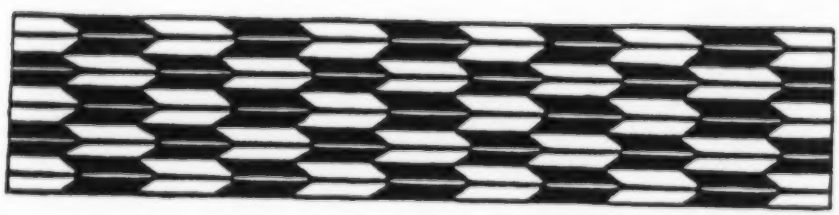
Global Perspectives in Education (GPE)
218 East 18th Street
New York, NY 10003
(212) 475-0850

International Society for Educational Information (ISEI)
Koryo Building
18 Wakaba 1-chome
Shinjuku-Ku
Tokyo 160
Japan
(03) 358-1138, 1506

Joint Council on Economic Education
2 Park Avenue
New York, NY 10016
(212) 685-5499

National Council for the Social Studies (NCSS)
3501 Newark Street NW
Washington, D.C. 20016
(202) 966-7840

Security Pacific National Bank
Research Department
P.O. Box 7636
San Francisco, CA 94120
(415) 445-4550



APPENDIX III: Optional Activity

DATA COLLECTION SHEET

The country in which products were manufactured should be shown on all products. You might have to look on many sides of the products in order to locate the "Made in USA," "Made in Mexico," or "Made in Japan" insignias. Some products have parts made in various countries. (Do not confuse manufacturing with assembling.)

Part A

List as many countries as you can in which products of the following categories found in your home were produced:

1. Clothing:_____

_____

2. Plastic Products:_____

_____

3. Small Electrical Appliances:_____

_____

Part B

Repeat Part A, only this time name three products of your choice. Be sure to list as many manufacturing countries as you can.

1._____: _____

2._____: _____

3._____: _____

Part C

Can you name products made in Japan? Include those mentioned above as well as others.

_____ _____

_____ _____

_____ _____

Adapted from: INTERNATIONAL TRADE ISSUES: UNITED STATES AND TAIWAN; The China Project/SPICE